

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK, EEC

SUBJECT: TUC AND INFLATION -- WHAT TO DO IN PLACE OF
STRIFE

SUMMARY - DURING THE COURSE OF A DISCUSSION WITH SEVERAL
LONDON-BASED LABOR ATTACHES ON APRIL 30, THE TUC GENERAL
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SECRETARY LEN MURRAY ACKNOWLEDGED TRADE UNION "DIVERGEN-

CIES" FROM THE SOCIAL CONTRACT, IN TERMS OF HIGH WAGE SETTLEMENTS, INDICATED THAT THE TUC WAS CONSIDERING WAYS AND MEANS TO SHARPEN THE SOCIAL CONTRACT'S WAGE GUIDELINES, BUT WARNED THAT IF THE LABOR GOVERNMENT WERE TO USE UNEMPLOYMENT AS A CORRECTIVE TO INFLATION, IT WOULD MEAN A RETURN TO THE SORT OF CONFRONTATION BETWEEN THE UNIONS AND THE GOVERNMENT WHICH CHARACTERIZED THE BITTER "IN PLACE OF STRIFE" PERIOD, CIRCA 1966-1970. MURRAY DECLARED THAT THE CHANCELLOR OF THE EXCHEQUER WAS "PREOCCUPIED" WITH THE BALANCE OF PAYMENTS AND HE REAFFIRMED THE TUC'S "SERIOUS SUPPORT" OF SELECTIVE IMPORT CONTROLS AS A NECESSARY WEAPON TO DEAL WITH THAT PROBLEM. HE ALSO SAID HE DID NOT BELIEVE THAT ANY CABINET MINISTER SERIOUSLY ENTERTAINED THE NOTION THAT STATUTORY INCOMES POLICY SHOULD BE INTRODUCED. (SEE SEPTTEL FOR MURRAY'S OBSERVATIONS ON THE EC REFERENDUM AND OTHER INTERNATIONAL ISSUES.) END SUMMARY.

2. MURRAY ACKNOWLEDGED "DIVERGENCIES" FROM THE SOCIAL CONTRACT AND THAT THE SITUATION "HAD DECAYED MORE RAPIDLY THAN EXPECTED" BUT HE ATTRIBUTED THIS TO "PRESSURE FROM UNION MEMBERSHIP" AND TO "LACK OF COMMUNICATION" (PRESUMABLY BETWEEN LEADERSHIP AND RANK AND FILE). BUT HE SAID THAT THE GOVERNMENT WAS MAKING THE TUC TASK IN DEALING WITH THE PROBLEM MORE DIFFICULT. HE WARNED AGAINST "SILLY ACTION BY THE GOVERNMENT" AND "COUNTER-PRODUCTIVE" STATEMENTS BY GOVERNMENT LEADERS, SUCH AS THE CHANCELLOR OF THE EXCHEQUER. HEALEY'S STRICTURES ABOUT EXCESSIVE WAGES LEADING TO INCREASED UNEMPLOYMENT SIMPLY INVITED COUNTER-CLAIMS FROM UNION LEADERS. HE SURMISED THAT THE CHANCELLOR MAY HAVE BEEN MAKING THEM PARTLY FOR FOREIGN CONSUMPTION, I.E., BY THE IMF AND THE U.S., AND HE ARGUED THAT THE MILLION OR MILLION AND A QUARTER UNEMPLOYED PROJECTED BY THE CHANCELLOR FOR THE END OF THIS YEAR WOULD HAVE LITTLE OR NO EFFECT ON WAGES. IF, ON THE OTHER HAND, THE CHANCELLOR WAS REALLY THINKING IN TERMS OF MASSIVE UNEMPLOYMENT -- SAY TWO TO THREE MILLION UNEMPLOYED -- THIS WOULD SIMPLY MEAN A RETURN TO REAL CONFRONTATION BETWEEN THE UNIONS AND THE GOVERNMENT SUCH AS THAT WHICH CHARACTERIZED THE "IN PLACE OF STRIFE" PERIOD, CIRCA 1966-LIMITED OFFICIAL USE

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1970. (MOREOVER, MURRAY SAID THAT IF HEALEY, AS HE BELIEVES, WISHES TO BECOME PRIME MINISTER, HE WOULD BE WELL-ADVISED NOT TO TRULY ALIENATE THE TRADE UNIONS. MURRAY SAID HE DID NOT BELIEVE THAT ANY GOVERNMENT LEADER, INCLUDING HEALEY, IS SERIOUSLY ENTERTAINING THE NOTION OF A RETURN TO A STATUTORY INCOMES POLICY.

3. A "WATCHDOG COMMITTEE" - MURRAY SAID THAT THE TUC ECO-

NOMIC COMMITTEE WOULD BE DISCUSSING ON MAY 14 WAYS AND MEANS TO BOLSTER THE SOCIAL CONTRACT AND ONE POSSIBILITY WAS THE SETTING UP OF A SYSTEM OF "SURVEILLANCE", PRESUMABLY "WATCHDOG COMMITTEE" TO OVERSEE COMPLIANCE WITH THE CONTRACT'S WAGE GUIDELINES. THIS WOULD NOT BE EASY TO ACCOMPLISH, FOR IT WAS VERY DIFFICULT TO GET UNIONS TO "LOWER EXPECTATIONS" OF FURTHER INCREASES IN THE COST OF LIVING, SINCE IT WAS LIKELY THAT THE COST OF LIVING WOULD CONTINUE TO RISE THROUGH THE SUMMER. MURRAY WAS HOPEFUL THAT THE COST OF LIVING WOULD BEGIN TO STABILIZE BY AUTUMN AND THAT THE TUC CONGRESS, MEETING IN SEPTEMBER, WOULD THEN BE ABLE TO AGREE ON MEANS TO HELP BRING WAGE SETTLEMENTS DOWN THROUGH THE SHARPENING OF THE SOCIAL CONTRACT.

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4. IMPORT CONTROLS - MURRAY SAID THAT WHILE THE CHANCELLOR WAS "PREOCCUPIED" WITH THE PROBLEM OF THE BALANCE OF PAYMENTS, THE UNEMPLOYMENT ROUTE WAS THE WRONG WAY TO DEAL WITH IT. THE TUC, HE SAID, "SERIOUSLY SUPPORTS" SE-LIMITED OFFICIAL USE

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LECTIVE IMPORT CONTROLS ON DURABLE GOODS, BUT THAT THE GOVERNMENT, FEARFUL OF RETALIATION FROM OTHER COUNTRIES, WAS CURRENTLY OPPOSED TO THEIR USE. CITING THE SITUATION IN GERMANY, IN PARTICULAR, MURRAY SAID: "WE ARE KEEPING GERMAN WORKERS EMPLOYED BY BUYING GERMAN GOODS AND ALL WE ARE SAVING (THROUGH SELECTIVE IMPORT CONTROLS) IS THAT WE ARE NOT BUYING SOME OF IT IN ORDER TO KEEP MORE OF THE BRITISH EMPLOYED." IF IMPORT CONTROLS WERE EMPLOYED, HE ADDED, THEY SHOULD BE USED "IN A PRAGMATIC WAY".

5. COMMENT. A PREVIOUS EFFORT BY MURRAY TO GET THE ECONOMIC COMMITTEE TO TIGHTEN THE WAGE GUIDELINES WAS REJECTED. THE CONTINUING DETERIORATION OF THE ECONOMIC SITUATION MAY RESULT IN A MORE FAVORABLE RESPONSE FROM THE COMMITTEE WHEN IT MEETS ON MAY 14 AND IT WOULD HAVE AN IMPORTANT BEARING ON WHETHER THE TUC CONGRESS IN SEPTEMBER GIVES ITS APPROVAL TO STRENGTHENING THE CONTRACT TO MAKE IT A MORE MEANINGFUL TOOL IN THE FIGHT AGAINST INFLATION. DESPITE MURRAY'S BELIEF THAT NO GOVERNMENT LEADER IS SERIOUSLY ENTERTAINING THE NOTION OF A RETURN TO AN INCOMES POLICY, IT IS HARD TO BELIEVE THAT THIS WEAPON MAY NOT YET BE LYING SOMEWHERE IN THE DARK OF CHANCELLOR HEALEY'S CLOSET. (OTHER TUC LEADERS ARE NOT SO CERTAIN AS MURRAY. JACK JONES THINKS HEALEY'S STRICTURES MASK HIS BELIEF IN THE NEED FOR A STATUTORY INCOMES POLICY, AND A LEADER OF THE ENGINEERING WORKERS, THE MODERATE JOHN BOYD, TOLD US THIS WEEK THAT HE IS CONVINCED THE GOVERNMENT WOULD IMPOSE A WAGE FREEZE AND INCOMES POLICY IF THE INFLATIONARY SPIRAL CONTINUES.) WITH THE REFERENDUM OUT OF THE WAY -- ASSUMING A FAVORABLE RESPONSE FROM THE ELECTORATE -- THE GOVERNMENT MAY DECIDE TO TAKE A VERY COLD LOOK AT THE SITUATION WHEN THE LEAVES BEGIN TO FALL, AND POLITICALLY UN-

FEASIBLE AS IT MAY SEEM NOW, AN INCOMES POLICY OF SOME
SORT MAY BE ONE OF THE ULTIMATE OPTIONS TO BE CONSIDERED
AT THAT TIME. HOWEVER, THE DIVISIVE EFFECT OF AN INCOMES
POLICY ON THE PARLIAMENTARY LABOR PARTY MAY RULE OUT THIS
APPROACH IN THE FORESEEABLE FUTURE. RICHARDSON

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